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# CITY & TOWN

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## Education Reform and Accountability

written by Dieter Wahl

The Education Reform Act of 1993 had three major goals: to achieve an adequate funding level for all regional and local school districts over a seven-year period; to bring equity to local school spending efforts based on a community's ability to pay; and to improve student achievement. The financial components of the Act came about in part as a result of the *McDuffy*<sup>1</sup> case which alleged that the existing combination of state and local funding did not provide equal educational opportunities at the local level, particularly in poorer communities. The Education Reform Act sought to remedy this inequity by providing adequate state funding for all local and regional school districts and by mandating equity in local efforts based on a community's ability to pay. The legislature recognized that meeting the foundation targets in every school district would require a significant increase in state aid and appropriated a cumulative total of approximately \$4 billion in additional aid for education from FY93 through FY99.

The Foundation Budget embodies the primary financial goals by establishing a target budget for every school district. The budget defines an adequate spending level based on a complicated formula heavily weighted towards student enrollment. The state Department of Education (DOE) issues individual spending requirements to all municipalities and regional school districts each year to ensure gradual but steady progress towards meeting the Fiscal Year 2000 goals. These goals are modest for school districts that are already near the foundation target and more aggressive for those that are not.

Annual financial spending targets consisting of both state aid and local contributions are expressed as "required

net school spending" for each school district. The Education Reform Act made allowances for a community's ability to pay by basing the formula for their share on a community's equalized property values, and, therefore, its ability to raise taxes. Generally, communities with lower property values receive more state aid. As a result of education reform funding, the annual school budgets in some communities have increased by 30 percent or more, in some cases doubling their school budgets over a three-year period.

The Education Reform Act also included major non-financial initiatives designed to improve school management and curriculum content. Superintendents received additional management authority over school principals including the power to hire and fire, negotiate individual contracts, and set salaries and performance standards. Education Reform changed the role of school committees to increase oversight and policy development, while maintaining budget approval and the authority to hire and fire superintendents and assistant superintendents. The law encourages parent participation in the schools by requiring each school to create a school council to advise and assist the principal and participate in the development of school improvement plans. Most significantly, the Education Reform Act gave the local school committees the authority to decide how the additional school funds should be spent based on their needs and priorities.

In the FY99 budget, Chapter 70 state aid for education reached \$2.5 billion largely as a result of education reform. The Massachusetts Taxpayers Foundation, in its 1996 report on education spending, stated that "high levels of

school spending are no assurance that the goals of education reform will be achieved, but low levels of spending make success virtually impossible with little ability to hold administrators responsible for results." Recognizing that high levels of spending require an effective mechanism for monitoring progress and for holding educators accountable, the governor issued Executive Order 393 on February 20, 1997.

Executive Order 393 established the Education Management Accountability Board. The mission of the Board is "... to review, investigate and report on the expenditure of funds by school districts consistent with the goals of improving student achievement." The Secretary of Administration and Finance (A&F) serves as the chief of staff for the Board. The Secretary requested staff from the Department of Revenue and DOE to help fulfill the purpose of the Board and assemble an education reform audit team.

### Education Reform Audits

The Education Management Accountability Board (EMAB) determines which school districts will be audited. The education reform audit team provides

*continued on page two ➡*

## Inside This Issue

<b>Legal</b>	
Residential Exemption . . . . .	2
<b>Focus</b>	
Average Single Family Tax Bills . . . . .	3
<b>DLS Update</b>	
DLS on the Move . . . . .	7
Tax on New Construction . . . . .	7
<b>Municipal Fiscal Calendar</b> . . . . .	8
<b>Data Bank Highlight</b> . . . . .	8

# LEGAL

*in Our Opinion*

## Residential Exemption

Last summer the Supreme Judicial Court rendered an important decision concerning the eligibility of tenant-shareholders of a housing cooperative corporation to receive a residential exemption. The case is *Born v. Assessors of Cambridge*.<sup>1</sup>

The General Laws permit an exemption of up to 20 percent of the average assessed value of all residential parcels within the community. The selectmen or the mayor, with the approval of the city council, decide whether to adopt this exemption, commonly known as the residential exemption.<sup>2</sup> The statute states "such an exemption shall be applied only to the principal residence of a taxpayer as used by the taxpayer for income tax purposes."

In the *Born* case, the Longview Corporation owned a six-story cooperative apartment building with 54 apartments located in Cambridge. A tenant-shareholder could occupy a specific apartment under a long-term lease. There were 54 shareholders who owned varying numbers of shares in the corporation depending on the size and location of their apartments. Each paid a pro rata share of the monthly upkeep and maintenance of the building, including real estate taxes, through monthly charges. For fiscal years 1991 and 1993 respectively, the majority of the shareholders occupied apartments as principal residences. The president of the corporation filed for residential exemptions on behalf of these shareholders for FY91 and 93. The Cambridge assessors denied the exemption. On appeal, the case initially came before the Appellate Tax Board (ATB). When the ATB held that the shareholders were properly denied residential exemptions, the shareholders appealed to the Supreme Judicial Court (SJC).

The SJC wrote that eligibility for a residential exemption depended on whether the shareholders were taxpayers within the meaning in MGL Ch. 59 Sec. 5C. Since the statute does not define the term "taxpayer," the Court looked to prior court decisions. The Court relied on a ruling in *Moscatiello v. Assessors of Boston*<sup>3</sup> that even if he had paid the taxes and occupied the property as a principal residence, Moscatiello could not receive a residential exemption because he did not hold legal title to the property. The SJC, therefore, agreed with the Appellate Tax Board that the tenant-shareholders were not "taxpayers" since that term refers to the person to whom the taxes were assessed (the owner of record). Property owned by a housing cooperative has a single deed and constitutes a single parcel of real estate for assessment purposes. The Court ruled that since Longview Corporation holds legal title to the property, the tenant-shareholders were not record owners and they could not receive residential exemptions.

The shareholders unsuccessfully argued that *Moscatiello* did not apply to housing cooperatives. The Appellants cited a March 1997 decision of the SJC which found that cooperative apartments were sufficiently similar to condominium units to also be exempt from installing automatic sprinklers in each unit of the building, *1010 Memorial Drive Tenants Corporation v. Fire Chief of Cambridge*.<sup>4</sup> In *1010 Memorial Drive*, the Court had concluded that the physical characteristics of housing cooperatives were similar enough to those of condominiums that the condominium exemption should be read to include cooperative apartments. However, the condominium exclusion had no relationship to the legal ownership of the building. In *Born*, the Court ruled that the form of ownership is critical in establishing exemption from taxation.

In the Court's view, there are different tax consequences depending on the forms of legal ownership. Since the parties became shareholders in a cooperative voluntarily, they must accept the tax consequences of this decision.

In conclusion, the Court held that the Cambridge assessors properly denied residential exemptions to the cooperative shareholders. ■

*written by James Crowley*

1. 427 Mass. 790 (1998).
2. M.G.L. Chapter 59 § 5C.
3. 36 Mass. App. 622 (1994).
4. 424 Mass. 661 (1997).

## Education Reform

➡ *continued from page one*

audit and investigative support to the Board. The scope of review is limited to requirements under Executive Order 393 plus any additional requirements of the EMAB. The audits are performance reviews geared to answer the question: "What initiatives has the school district undertaken to implement education reform and improve student achievement since the Education Reform Act was passed in 1993?"

Once the Board chooses a school district, the Deputy Commissioner of Local Services contacts local officials to inform them that an audit of their district is scheduled. The audit team then holds an entrance conference with the superintendent of schools. Auditors are on-site six to eight weeks collecting, reviewing and verifying data, and conducting interviews with the superintendent, central office managers, department heads, principals and other staff. The auditors analyze school district spending to determine whether the spending effectively supports educational programs and the goals of the Education Reform Act. They determine whether the superintendent has utilized

*continued on page seven ➡*

# FOCUS

## on Municipal Finance

### Average Single Family Tax Bills in FY98

The percentage increase in the statewide average single family tax bill was greater than inflation in FY98. The Consumer Price Index went up 2.1 percent while the average single family tax bill went up 4.4 percent to \$2,463 between FY97 and FY98. Tax bills went down in 24 communities, stayed the same in two communities and went up in the other 314 communities included in this study.<sup>1</sup> In 277 communities the average tax bill went up faster than the cost of living. The average assessed value of single family homes statewide went up 3.7 percent to \$165,050, and the average single family tax rate went up 0.6 percent to \$14.92 per \$1,000.

### Statewide Trends

Statewide average single family tax bills have increased every year during the last 10 years both in actual dollars

and in dollars adjusted for inflation. *Figure 1* shows the average in actual dollars and in constant FY98 dollars. Constant dollars were calculated using the Consumer Price Index for All Urban Consumers, Boston. Over the 10-year period, bills increased 58.1 percent in actual dollars with the largest percentage increases in FY90 (9.8 percent) and FY91 (7.0 percent). The lowest increases were in FY92 (3.6 percent) and FY97 (3.9 percent). Over the same 10-year period, there was a 19.1 percent increase in constant dollars, reflecting inflation of 32.7 percent.

Statewide assessed values for single family homes have not paralleled tax rates. Assessed values actually decreased in FY92, FY93 and FY94. The rate of increase exceeded the inflation rate in only two years, FY90 and FY98. In constant dollars average assessed value was actually 25 percent lower in FY98 than it was in FY90. *Table 2* shows average assessed value and average tax bills for single family parcels in both actual and constant

FY98 dollars for FY89 through FY98. It also shows tax rates.

If assessed values go down but community spending does not, tax rates go up. *Table 2* shows that tax rates increased in 8 of the last 10 years. The statewide average tax rate for single family parcels rose 46.4 percent between FY89 and FY98, from 10.19 to 14.92.

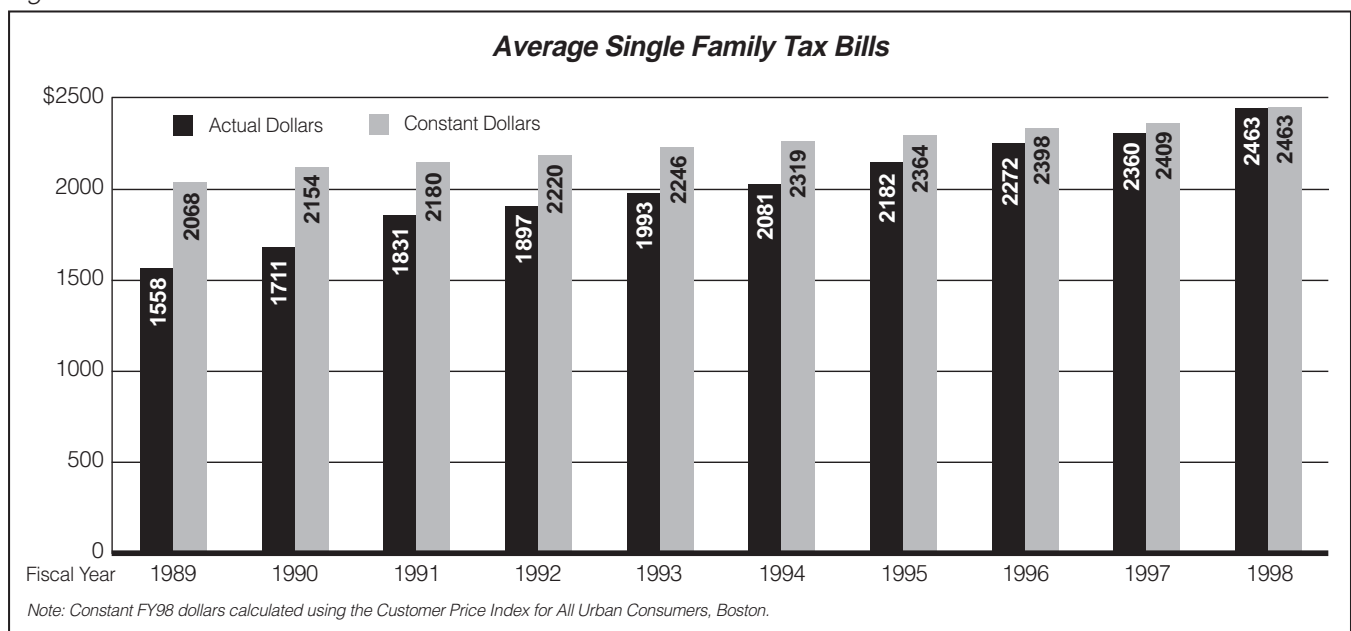
### Community Trends

*Table 1* shows the FY97 and FY98 average single family assessed value and tax bill for all 340 cities and towns which do not have a residential exemption. It also ranks communities from high to low for the FY98 average value and bill, and shows the percent change between FY97 and FY98 for each. Finally, it lists FY98 tax rates.

For the most part, communities with higher assessed values have higher average tax bills. The six communities with the highest average bills are We-

*continued on page six* ➔

Figure 1



Municipality	FY97 Avg. Value	FY98 Avg. Value	FY98 Hi-Lo Range	% Change 97-98	FY97 Tax Bill	FY98 Tax Bill	% Change 97-98	FY98 Hi-Lo Range	FY97 Avg.	FY98 Avg.	% Change 97-98	FY97 Tax Bill	FY98 Tax Bill	% Change 97-98
Abington	133,754	151,020	144	12.9	2,474	2,564	104	3.6	16.98					
Acon	238,990	262,609	33	4.546	4,808	15	5.8	18.31						
Acushnet	119,483	113,949	259	-4.6	1,575	1,614	275	2.5	14.16					
Adams	86,730	86,760	330	0.0	1,471	1,495	300	1.6	17.23					
Agawam	117,224	171,725	244	0.5	1,862	1,857	221	-0.3	15.77					
Afford	242,779	245,176	38	1.806	1,824	228	1.0	7.44						
Anesbury	136,150	150,328	148	10.4	2,547	2,813	80	10.4	18.71					
Amherst	182,522	163,658	119	0.7	2,981	3,142	56	5.4	19.20					
Andover	260,568	263,091	31	1.0	4,034	4,162	22	3.2	15.82					
Aquinnah	348,158	350,646	12	0.7	2,214	2,286	138	3.3	6.52					
Arlington	192,395	204,191	61	6.1	3,286	3,416	44	4.0	16.73					
Asburnham	102,122	102,514	292	0.6	1,680	1,736	64	17.39						
Ashby	104,075	110,076	272	0.5	2,045	2,042	187	-0.1	18.55					
Ashfield	129,525	125,208	223	1.0	1,974	2,072	180	5.0	16.55					
Ashland	173,737	175,667	98	1.1	2,978	3,146	55	5.6	17.91					
Athol	71,197	74,846	336	5.2	1,025	1,073	329	4.7	14.33					
Attleboro	119,446	121,446	234	1.7	1,770	1,858	220	5.0	15.30					
Auburn	111,256	114,992	254	3.4	1,903	1,934	291	2.1	13.34					
Ayer	125,575	125,995	218	0.3	1,489	1,541	289	3.5	12.23					
Ayer	124,539	125,992	215	0.7	1,227	1,287	316	4.9	10.16					
Barnstable	170,441	179,416	90	5.3	2,061	2,110	172	2.4	11.76					
Barre	102,118	96,319	308	-5.7	1,520	1,780	239	17.1	18.48					
Becket	93,889	97,364	305	3.7	963	1,022	331	6.1	10.50					
Bedford	240,167	244,284	40	1.7	3,273	3,310	51	1.1	13.55					
Belchertown	125,162	125,523	219	0.3	2,148	2,204	162	2.6	17.56					
Bellingham	117,690	130,748	206	11.1	1,668	1,970	201	5.5	15.07					
Belmont	348,439	355,352	10	2.0	4,927	5,014	11	1.8	14.11					
Berkley	130,597	139,092	189	6.5	1,580	1,648	269	4.3	11.85					
Berlin	167,543	171,736	104	2.5	2,649	2,732	90	3.1	15.91					
Bernardston	114,503	110,785	269	-3.2	1,734	1,819	230	4.9	16.42					
Beverly	183,261	184,885	83	0.9	2,930	3,030	60	3.4	16.39					
Beverly	142,457	144,058	170	1.1	2,191	2,226	148	1.6	15.45					
Blackstone	119,083	126,556	231	6.3	1,824	1,869	219	2.5	14.77					
Blackford	119,210	122,060	21	2.4	1,326									

Municipality	FY97 Avg. Value	FY98 Avg. Value	% Change 97-98	FY97 Tax Bill	FY98 Avg. Tax Bill	% Change 97-98	FY98 HI-Lo Rank	FY98 Avg. Value	FY97 Avg. Value	FY98 Avg. Value	% Change 97-98	FY98 HI-Lo Rank	FY98 Avg. Tax Bill	FY97 Avg. Tax Bill	% Change 97-98	FY98 Tax Rate
Methuen	122,327	123,615	228	1.1	2,058	2,085	175	1.3	16.87							
Middleborough	118,697	123,729	227	4.2	1,848	2,063	182	11.6	16.67							
Middlefield	94,596	96,704	306	2.2	1,552	1,651	287	6.4	17.07							
Middleton	184,678	190,925	74	3.4	2,582	2,898	71	12.2	15.18							
Milford	136,386	142,403	176	4.4	2,267	2,320	130	2.3	16.29							
Milbury	110,254	110,894	268	0.6	1,573	1,619	274	2.9	14.60							
Millis	161,303	160,910	124	-0.2	2,855	2,945	68	3.2	18.30							
Milwille	122,005	123,324	230	1.1	2,123	2,018	194	-4.9	16.36							
Milton	209,598	209,520	57	0.0	3,634	3,744	33	3.0	17.87							
Monroe	57,491	57,491	340	2.7	698	707	337	1.3	12.30							
Monson	118,003	118,410	241	0.3	1,804	1,851	223	2.6	15.63							
Montague	97,254	97,590	315	-3.0	1,435	1,502	297	4.7	15.92							
Monterey	177,685	174,354	89	1.1	1,549	1,566	285	1.1	8.72							
Montgomery	128,519	137,262	194	6.8	1,815	1,893	215	4.3	13.79							
Mt. Washington	176,613	174,456	99	-1.2	1,016	1,015	332	-0.1	5.82							
Nahant	222,902	223,412	49	0.2	2,956	3,032	59	2.6	13.57							
Nantucket	180,579	207,224	59	14.8	2,871	3,011	61	4.9	14.53							
Natick	280,069	283,306	22	1.2	3,618	3,754	32	3.8	13.25							
Needham	101,135	99,517	299	-1.6	777	646	339	-16.9	6.49							
New Ashford	99,264	94,381	241	-4.9	1,440	1,440	308	0.0	15.26							
New Bedford	124,020	125,216	221	1.0	1,972	2,079	178	5.4	16.60							
New Braintree	167,900	147,930	152	-8.2	1,598	1,683	260	5.3	11.38							
New Marlboro	109,864	112,477	265	2.4	1,483	1,518	294	2.4	13.50							
New Salem	175,555	187,474	79	6.8	2,345	2,484	112	5.9	13.25							
Newbury	157,430	158,112	130	0.4	2,681	2,781	86	3.7	17.59							
Newburyport	335,126	352,517	11	5.2	4,641	4,847	13	4.4	13.75							
Newton	202,473	211,711	55	4.6	3,199	3,381	45	5.7	15.97							
Norfolk	277,372	274,032	337	-4.3	1,131	1,140	327	0.8	15.40							
N. Adams	217,788	244,766	39	12.4	3,329	3,329	46	10.2	13.60							
N. Andover	139,931	141,245	180	0.9	2,103	2,177	163	3.5	15.41							
N. Attleboro	105,569	104,293	288	-1.2	1,320	1,354	313	2.6	12.98							
N. Brookfield	193,438	195,358	67	1.0	3,209	3,319	48	3.4	16.99							
N. Reading	130,642	141,689	71	8.5	1,995	2,066	181	3.6	14.58							
Northampton	179,807	191,691	71	6.6	2,931	2,952	66	0.7	15.40							
Northborough	117,539	120,290	236	2.3	1,683	1,783	238	5.9	14.82							
Northbridge	100,280	101,857	294	1.6	1,564	1,650	288	5.5	16.20							
Northfield	136,978	138,734	191	1.3	2,163	2,217	150	2.5	15.98							
Norton	260,896	264,808	30	1.5	3,706	4,200	21	10.6	15.86							
Norwell	169,851	169,945	107	0.1	2,167	2,252	145	3.9	13.25							
Norwood	161,699	162,811	121	0.7	1,989	2,055	185	3.3	12.62							
Oak Bluffs	132,144	132,101	203	0.0	1,623	1,635	272	0.7	12.38							
Oakham	72,863	72,829	338	0.0	1,408	1,464	305	4.0	20.10							
Orange	225,316	228,313	45	1.3	2,210	2,180	162	-1.4	9.55							
Orleans	145,722	139,299	188	-4.4	1,090	1,190	325	9.2	8.54							
Otis	104,339	104,972	285	0.6	1,669	1,680	282	0.7	16.00							
Oxford	100,425	100,925	297	0.5	1,683	1,740	249	3.4	17.24							
Palmer	151,056	148,007	151	-2.0	2,432	2,558	105	5.2	17.28							
Paxton	176,327	176,327	96	15.0	1,580	1,716	255	8.6	9.73							
Peabody	149,404	150,343	147	0.6	2,748	2,920	70	6.3	19.42							
Pelham	149,404	150,343	147	0.6	2,748	2,920	70	6.3	19.42							
Pembroke	149,609	151,250	142	1.1	2,235	2,322	129	3.9	15.35							
Pembroke	146,310	147,828	153	1.0	2,183	2,309	134	5.8	15.82							
Pepperell	77,453	79,096	333	2.1	1,417	1,464	306	3.3	13.52							
Peru	143,067	139,445	186	-2.5	1,632	1,648	270	1.0	11.82							
Petersham	93,017	87,479	327	-6.0	1,064	1,274	317	19.7	14.56							
Phillipsburg	91,505	91,843	319	0.4	1,560	1,594	278	2.2	17.36							
Pittsfield	111,579	111,581	267	0.0	1,627	1,580	280	-2.9	14.16							
Plainfield	149,360	150,513	146	0.8	2,184	2,285	139	4.6	15.18							
Plainville	107,793	109,587	274	1.7	2,176	2,227	147	2.3	20.32							
Plymouth	151,791	153,268	136	1.0	2,667	2,768	88	3.8	18.06							
Plympton	151,791	153,268	136	1.0	2,667	2,768	88	3.8	18.06							
Princeton	175,334	177,838	93	1.4	2,868	2,890	73	0.8	16.25							
Princeton	175,334	177,838	93	1.4	2,868	2,890	73	0.8	16.25							
Provincetown	178,362	191,960	70	7.6	2,033	2,223	149	9.3	11.58							
Quincy	141,103	143,724	172	1.9	2,105	2,193	154	4.5	15.30							
Randolph	128,357	126,497	217	0.1	2,019	2,085	176	3.3	16.48							
Raynham	140,091	159,513	128	13.9	1,866	2,058	183	10.3	12.90							
Reading	203,182	215,266	52	5.9	3,377	3,472	40	2.8	16.13							
Rehoboth	163,421	165,997	113	1.6	2,059	2,194	156	6.6	13.22							
Revere	107,293	107,336	280	0.0	1,922	2,081	177	8.3	19.39							
Richmond	163,325	164,955	117	0.8	2,322	2,449	116	5.5	14.88							
Rochester	142,902	146,252	160	2.3	1,993	2,077	179	4.2	14.20							
Rockland	131,033	131,903	204	0.7	2,129	2,295	136	7.8	17.40							
Rockport	204,537	214,372	54	4.8	2,937	3,314	50	12.8	15.46							
Rowe	107,180	107,556	279	0.4	572	575	340	0.5	5.35							
Roxbury	172,166	172,910	101	0.4	2,524	2,642	96	4.7	15.28							
Royalston	92,870	94,571	311	1.8	909	1,088	328	19.7	11.50							
Russell	107,513	109,449	276	1.8	1,562	1,679	263	7.5	15.34							
Rutland	118,182	119,472	237	1.1	1,749	1,846	225	5.5	15.45							
Salem	140,851	144,860	165	2.8	2,145	2,205	151	2.8	15.22							
Salisbury	125,496	127,016	213	1.2	1,613	1,768	245	9.6	13.92							
Sandwich	150,471	150,098	149	-0.2	1,324	1,438	309	8.6	9.58							
Sandwich	142,803	145,885	161	2.2	2,256	2,331	128	3.3	15.98							
Saugus	157,266	161,129	123	2.5	1,879	1,942	206	3.4	12.05							
Savoy	87,043	87,227	328	0.2	1,187	1,235	320	4.0	14.16							
Schute	192,974	194,217	69	0.7	2,856	2,950	67	3.3	15.19							
Seekonk	146,407	147,141	156	0.5	1,922	2,089	174	8.7	14.20							
Sharon	190,323	210,916	56	10.8	3,692	4,012	27	8.7	19.02							
Sheffield	142,103	142,103	178	0.0	2,050	2,194	157	7.0	15.44							
Shelburne	116,826	117,242	245	0.4	1,645	1,719	253	4.5	14.66							
Shelburne	121,333	121,333	405,886	7	1.1	6,100	6,348	3	4.1	15.64						
Shirley	120,320	128,413	211	1.7	1,753	1,848	224	5.4	14.39							
Shrewsbury	155,810	165,106	116	6.0	2,247	2,199	155	-2.1	13.32							
Shutesbury	131,444	132,999	200	1.2	2,668	2,841	76	6.5	21.36							
Somerset	128,718	128,753	210	0.0	1,962	2,032	190	3.6	15.78							
Somerville	1															



## Average Single Family Tax Bills in FY98

→ continued from page three

Table 2. Statewide average single family tax rate, assessed value and tax bill. Assessed value and tax bill in both actual and constant dollars.

Fiscal Year	Average Single Family Tax Rate	Actual Dollars		Constant FY98 Dollars	
		Average Assessed Value	Average Tax Bill	Average Assessed Value	Average Tax Bill
FY89	10.19	152,954	1,558	202,990	2,068
FY90	9.79	174,817	1,711	220,064	2,154
FY91	10.41	175,917	1,831	209,437	2,180
FY92	11.68	162,451	1,897	190,100	2,220
FY93	12.89	154,589	1,993	174,231	2,246
FY94	13.59	153,133	2,081	170,679	2,319
FY95	14.21	153,571	2,182	166,401	2,364
FY96	14.59	156,159	2,272	164,824	2,398
FY97	14.83	159,117	2,360	162,438	2,409
FY98	14.92	165,050	2,463	165,050	2,463

Note: Constant FY98 dollars calculated using the Consumer Price Index for All Urban Consumers, Boston.

ston, \$7,401; Lincoln, \$6,627; Sherborn, \$6,348; Carlisle, \$5,721; Wayland, \$5,668; and Dover, \$5,480. These communities rank 2nd, 3rd, 7th, 9th, 17th and 6th in average value, respectively. The relationship between average value and tax bill does not pertain to Cape Cod and the islands, where there are a large number of seasonal properties whose residents have a lower demand for services. For example, the community with the highest average assessed value at \$572,662 is Chilmark on Martha's Vineyard. However, its average single family tax bill ranks 218th at \$1,884. Aquinnah (formerly Gay Head) and Gosnold also have high average assessed values ranked 12th and 18th at \$350,646 and \$309,909 respectively. Their average tax bills rank 138th and 335th at \$2,286 and \$775.

Generally, communities with lower tax bills do have lower assessed values. The communities with the lowest average tax bills are Rowe, \$575; New Ashford, \$646; Tolland, \$658; Monroe, \$707; Hancock, \$745; and Gosnold, \$775. In average assessed value these communities rank 279th, 299th, 182nd,

340th, 242nd and 18th. This includes Monroe with lowest average assessed value at \$57,491.

The relationship between average single family tax bill and per capita income is stronger than the relationship of tax bills with assessed values. The six communities with the highest average bills all ranked in the top six in per capita income based on 1989 Census Bureau estimates. Weston ranked first in per capita income at \$46,855; Lincoln ranked fifth at \$35,189; Sherborn ranked second at \$41,614; Carlisle ranked fourth at \$36,387; Wayland ranked sixth at \$34,646; and Dover ranked third at \$40,288.

The relationship with per capita income does not hold for communities with the lowest tax bills. Of the 20 communities with the lowest bills, 13 rank in the bottom 20 percent in terms of per capita income, 3 are in the bottom half and 3 are in the upper half. There is some pattern in terms of geography: all but Gosnold and Fall River are in the western half of the state. There is also some relationship to population: five out of the six smallest communities in the state —

Gosnold (population 97), Monroe (population 113), Mount Washington (population 132), New Ashford (population 181), and Tolland (population 297) — are amongst the 20 communities with the lowest tax bills.

While statewide trends show a steady increase in average tax bills, patterns varied widely from community to community. Half of the cities and towns had percentage increases over 4 percent from FY97 to FY98, and half had an increase less than 4 percent or even a decrease. Dover had the highest increase at 29.8 percent and New Ashford had a decrease of 16.9 percent.

Tax bill, assessed value and tax rate data come from the FY98 property tax information submitted to the Department of Revenue's Division of Local Services by local assessors. The average tax bill for each community is calculated by dividing the total tax levy for all the single family parcels by the total number of single family parcels. The same is done with state totals to get the statewide average. Average assessed value is calculated by dividing the total assessed value by the total number of parcels. The statewide average tax rate is calculated by dividing the statewide total tax levy by the total assessed value. For the 11 communities which have a residential exemption some of the tax burden is shifted from lower and moderately valued homes to higher valued homes and rental properties. DLS does not have sufficient information to calculate the average single family bills. These communities are: Boston, Brookline, Cambridge, Chelsea, Marlborough, Nantucket, Somerville, Somerset, Tisbury, Waltham and Watertown. ■

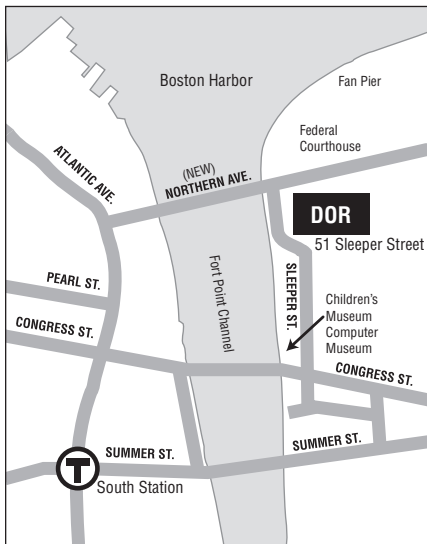
written by Stanley Nyberg

1. Communities with a residential exemption are not included.

# DLS UPDATE

## DLS on the Move!

The Department of Revenue, including the Division of Local Services, will be relocating to 51 Sleeper Street in Boston in early spring 1999. DOR is moving from the Saltonstall Building which will undergo extensive renovations including removal of asbestos and installation of a sprinkler system. The work is expected to take three years.



Sleeper Street is located in the South Station area near the Fort Point Channel and across the street from the new federal courthouse. The new DOR headquarters is on the corner of Northern Avenue. The building is about a ten-minute walk from South Station. DLS will occupy the fifth floor of the eight-story building.

Since DLS will be in the midst of packing in December, it would be mutually beneficial if communities could submit their tax rates as early as possible. Using the automated recapitulation sheet will substantially reduce processing time. ■

## Tax on New Construction

A new statute, MGL Chapter 59 §2D, permits communities to make a pro rata tax assessment on certain parcels which have been improved with new construction. Property taxes for a particular fiscal year are fixed as of the preceding January 1. Improvements occurring after that date are not taxed until the next fiscal year. Under current law, for example, if a house is constructed in the spring of 1999 after the January 1 assessment date, the new owners will pay tax on the value of the land only for FY2000. They would not pay taxes on the value of their house until FY2001. Adopting the new statute allows a community to make a pro rata tax assessment for a fiscal year whenever an occupancy permit is issued for a parcel of real estate with new construction that has increased its value by over 50 percent. The purpose of this assessment is to provide the city or town with additional real estate taxes to fund additional costs that the new construction may generate, such as new teachers or additional police.

The assessment is calculated by applying the tax rate for the fiscal year in which the permit was issued to the value of the improvement and pro-rating that amount over the balance of that year. The statute requires acceptance by local referendum. To implement the pro rata tax assessments for FY2000, a community must have held a successful referendum before January 1, 1999. DLS issued a Bulletin in October which outlined the referendum procedure and will issue guidelines later to assist assessors to implement this new statute. ■

## Education Reform

➡ *continued from page two*

the managerial tools instituted by the Education Reform Act. They also verify the accuracy of reports filed with the DOE. As part of the audit, the team conducts a confidential survey of all school district employees to obtain the employee perspective on issues ranging from school management to the cleanliness of facilities.

Upon completion of the field work, the school district receives a draft report for informal review and technical corrections. The EMAB then reviews the report, gives the superintendent the opportunity to discuss the draft report and releases the report after the vote of approval.

Audits of the school districts in Malden, Lowell, Brockton, Lexington, Triton Regional, and Worcester have been completed. Currently, audits are underway in Salem and Braintree. In FY99, the Legislature provided additional funding for this initiative. Deputy Commissioner Joseph J. Chessey Jr. has established an education audit bureau. With additional audit teams in the Springfield and Worcester areas, the new bureau will be able to expand audit coverage throughout the Commonwealth. One of the highlights of the audit effort is to identify "best practices" which might be of help to other districts if replicated there. The Education Management Accountability Board plans to release a summary of its findings before the end of the fiscal year. ■

1. *McDuffy v. Secretary of the Executive Office of Education* 415 Mass. 545 (1993).

## Municipal Fiscal Calendar

### December 15

**Taxpayer:** *Deadline for Applying for Property Tax Exemptions for Persons*

If tax bills are mailed after September 15, taxpayers have 3 months from the mailing date to file applications for exemptions.

**Accountant/Superintendent/School Committee:** *Submit Amendments to End of School Year Reported to DOE*

Last filing date to impact next year's Chapter 70 State Aid.

### December 31

**State Treasurer:** *Notification of Quarterly Local Aid Payments on or Before December 31*

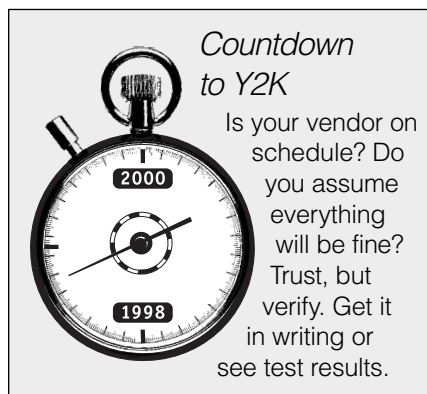
**Taxpayer:** *Deadline for Filing Application for Abatement of Motor Vehicle Excise for Prior Calendar Year*

**Water/Sewer Commissioners:** *Deadline for Betterments to be Included on Next Year's Tax Bill (M.G.L. Ch. 80, Sec. 13 and Ch. 83, Sec. 27)*

**Selectmen:** *Begin to Finalize Budget Recommendation for Review by Finance Committee*

**Assessors:** *Mail 3-ABC Forms to All Eligible Non-Profit Organizations*

**Collector:** *Deadline for Mailing Third Quarterly Tax Bill*



## Data Bank Highlight

Information on property tax rates, average bills, assessed values, and parcel counts for the last ten years are available on the Municipal Data Bank web page. This same information can be requested from the Data Bank staff printed out on hard copy or as Microsoft Excel files which can be sent by email over the Internet. Two of the more common hard copy reports are Property Tax Trends and Average Tax Bill Trends.

To obtain Municipal Data Bank information contact Dora Brown, Debbie DePerri or Stan Nyberg at (617)626-2300. For technical assistance contact Burt Lewis at (617)626-2358. The World Wide Web address is listed below. ■

## City & Town



*City & Town* is published by the Massachusetts Department of Revenue's Division of Local Services (DLS) and is designed to address matters of interest to local officials. DLS offers numerous publications on municipal law and finance, available by calling (617) 626-2300, or through the DLS World Wide Web site at <http://www.state.ma.us/dls> or by writing to PO Box 9655, Boston, MA 02114-9655.

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